

Message Text

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ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 EB-03 L-01 INR-05 CIAE-00 NSC-05

NSCE-00 OMB-01 TRSE-00 H-03 EUR-08 SP-02 /050 W
----- 013300

P R 07105Z JAN 76

FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC PRIORITY 3530
INFO AMCONSUL KARACHI
AMCONSUL LAHORE

C O N F I D E N T I A L ISLAMABAD 0174

LIMDIS

E.O. 11652: GDS
TAGS: BEXP, PK
SUBJECT: CHEMTEX

REF: ISLAMABAD 0022,

1. PLEASE TELL CHEMTEX THAT I VERY MUCH REGRET THEY HAVE LOST THE CONTRACT. IT HAS BEEN AWARDED TO THE GERMAN-SWISS FIRM. I SUGGEST THEY NOT BE BRIEFED IN DETAIL, BUT I WOULD LIKE THEM TO KNOW THAT BHUTTO CALLED ME FROM LARKANA AFTER HE RECEIVED THEIR LETTER AND THAT HE AND I ALSO HAD A LONG TALK ON THIS SUBJECT LATER ON IN LARKANA. IF YOU WANT YOU CAN TELL THEM THAT IN MY OPINION THINGS HAD REACHED SUCH AN IMPOSSIBLY MUDDLED STAGE WITHIN THE PAK BUREAUCRACY, INCLUDING APPARENTLY A LEGAL CONTRACT TO LURGI/INVENTA THAT IT MADE IMPOSSIBLE FOR THE PRIME MINISTER TO UNDO WHAT OTHERS HAD DONE. I HOPE THEY KNOW WE REALLY TRIED BUT THAT THEY ALSO REALIZE THAT A POINT CAN BE REACHED WHERE FURTHER EFFORTS WOULD BE COUNTER-PRODUCTIVE TO OTHER NATIONAL INTERESTS.

2. AFTER BHUTTO HAD GREETED THE MCGOVERNS UPON THEIR ARRIVAL IN LARKANA ON MONDAY EVENING, HE ASKED THAT I REMAIN WITH HIM ALONE ON THE CHEMTEX ISSUE. HE REVIEWED CONFIDENTIAL

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AGAIN HIS CONVERSATION WITH RAFI RAZA REPORTED IN EMBTEL

AND TOLD ME HE ATTENDED THE SHOOT THE DAY BEFORE ONLY BECAUSE OF HIS GUESTS (DUNCAN SANDYS WAS THERE, AMONG OTHERS) BUT DIDN'T SHOOT AS HE HAD SPENT THE WHOLE TIME TALKING TO RAZA ON THIS CASE. HE SAID HE HAD TOLD RAZA THAT HE RAZA HAD PREVIOUSLY LEFT HIM WITH AN APPARENTLY FALSE IMPRESSION WHICH BECAME OBVIOUS WHEN HE HAD TALKED TO ME ON THE PHONE. RAZA HAD ALSO ANGERED HIM BY SAYING THAT IF BHUTTO GAVE IN TO US NOW HE WOULD BE ACCUSED BY MANY IN THE BUREAUCRACY AS BEING PRO-AMERICAN. AS BHUTTO WENT INTO DETAILS HE MENTIONED IN THE PROCESS ADDITIONAL THINGS THAT RAZA HAD TOLD HIM THAT WERE NOT TRUE ACCORDING TO THE FACTS AS KNOWN BY US. IN EACH CASE I INTERRUPTED TO TELL HIM SO. HE WAS IN OBVIOUS DISTRESS WONDERING ALOUD TO HIMSELF AS TO WHY RAZA HAD ACTED AS HE HAD. HE SEEMED TO TAKE IT VERY PERSONALLY, REVIEWING FOR ME HOW THEIR PAST RELATIONSHIP HAD COME INTO BEING. WHAT SEEMED TO TROUBLE HIM MOST WAS ITS PERSONAL ASPECTS -- HOW COULD RAZA DO THIS TO HIM, AND TO ME, PARTICULARLY AFTER ALL THAT I HAD DONE FOR PAKISTAN AND HIM PERSONALLY. I STEERED HIM AWAY FROM THIS APPROACH SAYING ONLY THE MERITS OF THE CASE WERE OF ANY IMPORTANCE.

3. BHUTTO ASKED WHAT I WANTED HIM TO DO. I SAID WE MUST OBVIOUSLY DISPOSE OF THIS MATTER QUICKLY AND NOT ALLOW IT TO BECOME A LINGERING ISSUE BETWEEN US. I SUGGESTED THAT WE WERE PROBABLY DISCUSSING AN ACADEMIC ISSUE IN ANY EVENT, AND I SUSPECTED RAZA HAD ALREADY FINALIZED THE DEAL WITH THE GERMANS. IT THEREFORE SEEMED THE BEST THING TO DO WAS TO FIND OUT RIGHT AWAY IF THIS WERE THE CASE. IF IT WAS, I SAID, I COULDN'T RECOMMEND THAT HE PERSONALLY TRY TO BREAK A LEGAL CONTRACT WITH OTHERS, AS THIS WAS JUST TOO MESSY A BUSINESS FOR HIM TO INVOLVE HIMSELF IN. I TOLD HIM ALSO I OWEDED IT TO OUR COMPANIES TO LET THEM KNOW AS QUICKLY AS I COULD. BHUTTO GRABBED THE PHONE AND ASKED FOR RAZA IN OBVIOUS ANGER. HE WAS UNABLE TO GET HIM AND AFTER A REASONABLE WAIT I EXCUSED MYSELF TO CHANGE CLOTHES BEFORE THE BHUTTO-MCGOVERN MEETING AND DINNER.

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4. AS WE GOT IN HIS CHOPPER YESTERDAY MORNING TO DO A BIT OF SHOOTING BHUTTO SAID HE HAD NOT BEEN ABLE TO TALK TO RAZA UNTIL AFTER DINNER. HE SAID MY ASSUMPTION WAS CORRECT -- THE CONTRACT WAS ALREADY LEGALLY LET. HE SAID HE WAS EXTREMELY SORRY AND SAD ABOUT THE WHOLE AFFAIR. I SUGGESTED THE ONLY THING LEFT FOR THE TWO OF US TO DO WAS NOT TO LET IT RUIN WHAT PROMISED TO BE A VERY INTERESTING DAY.

5. WHAT THIS CASE CAME DOWN TO WAS OF COURSE MORE THAN THE LOSS OF A BUSINESS CONTRACT. WE'VE ALL BEEN THROUGH THAT BEFORE AND YOU CAN'T WIN THEM ALL. THE CHEMTEX CASE IS NOT COMPLETELY WITHOUT ITS OWN FLAWS, BUT IT CERTAINLY APPEARS TO US THAT ON SHEER MERIT AND LOGIC THEY SHOULD HAVE GOT IT.

6. LATER IN THE DAY I WAS STANDING BEHIND BHUTTO AND OVERHEARD HIM TELLING SIND CHIEF MINISTER JATOI WHAT A HELL OF A MESS HAD BEEN CREATED WITH US BECAUSE OF RAFI RAZA. AS I WENT TO SAY GOODBYE TO BHUTTO IN LATER AFTERNOON HE SAID HE WAS DISAPPOINTED AS HE HAD HOPED MRS. BYROADE AND I WERE STAYING ON AS HE HAD PLANNED A VERY INFORMAL DINNER WITH JUST THE FOUR OF US AND THE PRESIDENT. I SAID HAD I KNOWN I COULD HAVE MADE PLANS TO STAY BUT OUR ODRP AIRCRAFT WAS ALREADY WAITING ON US FOR TAKEOFF AND IT HAD TO GO TO TEHRAN TODAY. HE SAID HE UNDERSTOOD. (THERE WERE OTHER REASONS FOR ME TO RETURN TO THE CAPITAL AND I THOUGHT IT BEST TO WITHDRAW AT THAT STAGE IN ANY EVENT PUT THIS CASE AT A DISTANCE AS FAR AS THE TWO OF US ARE CONCERNED.) I FEEL THAT BHUTTO HAS PLAYED IT SQUARE WITH ME AND OUR RELATIONS REMAIN EXCELLENT.

7. THE CASE OF RAFI RAZA AND OURSELVES IS SOMETHING ELSE. HE KNOWS DIRECTLY FROM ME IN NO UNCERTAIN TERMS THAT THE ISSUE BETWEEN US IN THE FUTURE IS NOT SO MUCH THE LOSS OF A CONTRACT BUT THAT FACT THAT HE DELIBERATELY CHOSE TO DISTORT THE TRUTH ABOUT US AND ME PERSONALLY TO HIS OWN PRIME MINISTER.

BYROADE

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Message Attributes

Automatic Decaptoning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 07 JAN 1976
Decapton Date: 28 MAY 2004
Decapton Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greenet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ISLAMA00174
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760006-0506
From: ISLAMABAD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760180/aaaactib.tel
Line Count: 146
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 76 ISLAMABAD 22
Review Action: RELEASED, APPROVED
Review Authority: greenet
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUN 2004 by GarlanWA>; APPROVED <30 SEP 2004 by greenet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHEMTEX
TAGS: BEXP, PK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006